WORKING PAPER

"Piñatas", Pacifiers and the Politics of Regional Development Incentives: Insights from Northern Ontario, Canada

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Abstract

Regional development incentives have been used for decades in many countries, including Canada. This includes industrial incentives popular during the 1960s and 1970s as well as grants and contributions to small-and-medium sized businesses that are the current focus of many regional policy initiatives. This paper explores the paradox of the incentive-based approach to regional development in Northern Ontario. On the one hand, they are often seen as leveling the playing field in terms of access to capital for many small and medium-size businesses on the periphery. They further help build capacity for many community development initiatives. However, regional development funds can also reflect provincial and federal political priorities. More importantly, this research highlights several implications for regional development including: "piñata politics" (Di Matteo et al. 2007) where money is sprinkled around a region with little connection to an overall plan; and pacifier politics where critical discussion on government policies is stifled.

Introduction

Regional development incentives have been used for decades in many countries, including Canada, Australia, and the United Kingdom. This includes industrial incentives popular during the 1960s and 1970s, as well as grants and contributions to small-and-medium sized businesses that are the current focus of many regional policy initiatives. In

Canada, regional development funds are often managed through national and provincial regional development agencies with a variety of governance structures. This includes appointed boards and/or staff who review applications. More importantly, grants or incentives are often competitive-based applications with little connection, if any, to regional development plans or strategies. Given these arrangements, regional development becomes a messy and complex process where solutions to regional economic challenges are also deeply political. This paper explores the paradox of an incentives-based approach to regional development, while responding to calls for a "new research agenda in which the *politics* of regional development are given much more prominence" (Morgan 2004: 877).

This paper is based on an empirically rich, intensive case study of Northern Ontario, which includes 55 key informant interviews with people involved in regional development (Hall 2012a; Hall and Donald 2009). With an economic history tied to natural resources development, Northern Ontario is a region with a long history of federal and provincial regional development initiatives, from region specific policies, reports, and studies to regional development institutions. Since the late 1980s, the region has also had access to two regional development-funding agencies – a federal organization known as FedNor and the provincial Northern Ontario Heritage Fund Corporation (NOHFC). As a result, Northern Ontario provides a compelling case to explore the apparent paradox of regional development funding. On the one hand, incentives are often seen as levelling the playing field in terms of access to capital for many small and medium-size businesses on the periphery. They also help build capacity for many community development initiatives. However, incentives are also often sprinkled around the region with no long-term investment plan, where they can stifle critical discussion on government policies. They are also susceptible to political shifts and politics.

This paper is organized into five parts. It begins with a discussion of two bodies of literature – the politics of regional development and redistributive politics, which raise important questions about the inherent political tensions and tradeoffs often lurking behind regional development policies and approaches. It then turns to a brief history of regional development in Canada to situate how regional politics have had a profound influence on shaping public policy. This is followed by a description of Northern Ontario as well as the regional development funding agencies – FedNor and the Northern Ontario Heritage Fund Corporation (NOHFC). The fourth section describes the paradox of regional development incentives between the “levelling-the-playing-field” opportunities and the “piñatas-pacifiers-and-politics” challenges. The final section of this paper raises important questions about the politics behind regional development funding and the implications of this approach. While this research is focused on a case study in the Canadian context, it offers important insights to the rich international debates on the governance, politics and practice of regional development.

The Politics of Regional Development

This research was inspired by rich debates in the international literature centred on devolution and the governance of regional economic development (see Harrison 2006; Harrison 2008; MacLeod 2001; Lovering 1999; MacKinnon et al. 2002; MacKinnon 2009; MacLeod and Goodwin 1999a; 1999b; Goodwin et al. 2005; Cumbers et al. 2003; Morgan 2004; MacLeod and Jones 2001; Jones 2004). This often lively debate in regional studies and economic geography is focussed on the ‘rise of the region’ (Storper 1997), especially in the UK and Europe resulting from the intense political and economic restructuring that unfolded in those places during the 1980s and 1990s. Under the banner of ‘new regionalism’, research has focused on the resurgence of regions as key sites for economic development and political action (Amin 1999; Storper 1997; Keating 1997; 1998; Jones and MacLeod 2004; Jones 2004; Harrison 2006; 2008). This research often coalesced with policy interest in the implementation of new forms of economic governance, such as the now abolished regional development agencies (RDAs) in the UK (Amin 1999; Jones 2004; Jones and MacLeod 1999; Webb and Collis 2000; Jones and MacLeod 2004; Goodwin et al. 2002; 2005; 2006; Morgan 2001; 2006; Pike and Tomaney 2009).

Among the critiques of ‘new regionalism’ (see Harrison 2008; MacLeod 2001; Lovering 1999; MacKinnon 2009), there were calls for a new research agenda premised on the politics of regional development by a number of critical regional geographers (MacLeod and Goodwin 1999a; 1999b; MacLeod 2001; MacLeod and Jones 2001; MacKinnon et al. 2002; Cumbers et al. 2003; Morgan 2004). As Cumbers et al. (2003) argue, "studies of regional economic development need to be informed by a much stronger sense of politics" (337). Likewise, MacLeod and Goodwin (1999a) advocate for an approach that appreciates the role of "the wider politics of representation and the active processes of state restructuring and political strategizing through and around which economic development is itself constituted" (700).

This body of literature provides several important insights. First, it exposes the inherent tensions between political and economic objectives in regional development. As one key informant in this research explained there is often the stated reason versus what's going on politically behind the scenes. A second contribution is the emphasis on politics and political strategizing, which underscores a greater understanding of the political reasons that might be prompting policy and institutional changes. As MacLeod and Goodwin (1999b) argue, this prevents focussing solely on economic factors to explain these shifts. Finally, exposing the politics of regional development highlights the contestation, resistance, and struggles of a wide variety of actors including regional organizations, the state, and economic interests (Jones and MacLeod 1999; 2001; 2004; MacLeod and Goodwin 1999b; Boyle 2000; Cumbers et al. 2003; Jones 2004; Goodwin 2006; Harrison 2008).

This emphasis on politics is also significant to political studies focused on the redistributive politics of various grants and subsidies. This literature is often premised on whether elected officials who "bring home the bacon" (i.e. grants and subsidies) are rewarded by voters through re-election (Mehiriz and Marceau 2013; Milligan and Smart 2005; Guccio and Mazza 2014; Leigh 2008; Kemmerling and Bodenstein 2006; Bouvet and Dall'Erba 2010). Simply put, quantitative models of redistributive politics often examine whether grants or subsidies are directed at swing-votes or governing party strongholds by comparing spending across electoral districts or ridings (see for example Mehiriz and Marceau 2013). In one study specifically looking at regional development funding in Canada, Milligan and Smart (2005: 1) comment that these programs "frequently have the whiff of the pork barrel." They attribute this to the way spending decisions are made, which is often discretionary rather than formula-driven. Their model discovered that discretionary grants are used for reaching political objectives, as much as for providing assistance for economic development. They also found that party affiliation and the seniority of elected officials influences spending. This body of literature is important because it emphasizes how politics can influence spending decisions. However, this paper differs in the sense that it captures the messiness and complex politics of regional development funding in an everyday-grounded place (i.e. Northern Ontario) based on in-depth qualitative research (see also Boyle 2000).

Regional development incentives are, however, important for a number of reasons. For example, they have the potential to create employment opportunities, increase investment, and raise productivity (Cohen and LeGoff 1987; Goldenberg 2008; Pugalis 2010). They are also used to help offset challenges related to market failures, increase economic diversity and promote economic regeneration (Milligan and Smart 2005; Collits 2012; Puglais 2010). More specifically, incentives are often utilized to fund innovation, research, entrepreneurship and infrastructure (European Commission 2014; Australia Government 2014; NOHFC 2014). Regional development incentives can further provide access to capital for SMEs and in some cases funding for community capacity building and community development (Armstrong et al. 2001; Armstrong and Wells 2006; Fuller et al. 2010; Hall et al. forthcoming; Goldenberg 2008). Herein lies the apparent paradox of the incentives-based approach to regional development. On the one hand, they fund many important initiatives. Yet, they are often underfunded, governed by the state and susceptible to state politics. After briefly describing the key trends in regional development in Canada and the history of regional development funding agencies in Northern Ontario, this paradox is explored deeper between the "levelling-the-playing-field" opportunities and the "pacifiers-piñatas-and-politics" challenges.

Regional Development in Canada

Canadian political scientist Janine Brodie (1997: 240) once argued, “Canadian politics has revolved around persistent and often divisive conflicts about the ‘where’ instead of the ‘who’ or ‘what’ of politics”. Expanding on this argument she wrote, “questions of where people live and how economic development, state activity, and political power are distributed across geographical space often carry more weight in Canadian politics than other potentially loaded questions such as what people do or how well they live”. As a result, regional politics have had a profound influence on shaping Canadian public policy. Since the 1960s, this has translated into three distinct approaches to regional development in Canada: a more or less centralized approach focussed on alleviating disparities between regions (1960 - late 1987); a decentralized approach using regional development agencies in less favoured regions (1987 - 2009); and regional development agencies in all regions across the country (2009 – present) (for a more detailed discussion see Hall 2012a; 2012b; Savoie 1992; 2007).

One of the early funding programs in Canada was the Regional Development Incentive Program, which ran from 1969 to 1983 and fell under the purview of the Department of Regional Economic Expansion (DREE). This program largely offered grants for the establishment, expansion or modernization of industrial facilities in designated regions across the country. Regions were selected and ranked based on their degree of ‘exceptional inadequacy’ for productive employment (Canada DREE 1972; Cohen and LeGoff 1987; Savoie 1992; Hall 2012a). In 1972, the DREE program was reviewed and shifted from an approach focused on growth poles to a new strategy based on general development agreements (GDAs) that were signed with the provinces (Savoie 1981; Higgins and Savoie 1997; Savoie 1992; Beaumier 1998). The GDAs were used to fund an array of projects including rural development, the provision of infrastructure, and skills training.

In 1982, DREE was replaced by the Department of Regional Industrial Expansion (DRIE) and the Industrial and Regional Development Program (IRDP) was created to provide financial assistance to the manufacturing, processing and service industries.

While all areas of the country qualified for assistance, the level of support varied by region and by type of investment activity (Office of the Primer Minister 1982; Higgins and Savoie 1997; Savoie 1992; Beaumier 1998). By 1986, less favoured regions criticized DRIE as an industry department focused on the more prosperous regions in Canada after the press reported that over 70 percent of DRIE's IDRP spending was going to Ontario and Québec (Savoie 1987; Savoie 1992). This issue highlights one of the many challenges associated with these early regional development incentive programs. There are well-documented accounts of political pressure exerted on Ministers to designate regions eligible for assistance as well as industries only staying for as long as the incentive was offered (Savoie 1992; Bickerton 1990). In addition, they had small budgets to tackle regional economic challenges, were highly susceptible to political shifts, and were often stretched further than their stated mandates. Perhaps more importantly, these incentives were often only short-term band aid solutions to much deeper structural economic and policy issues.

In 1987, regional development was decentralized away from Ottawa towards the regions through the creation of regional development agencies (RDAs). The argument was that regional development interventions would reflect the needs of the region they were intended to assist (Higgins and Savoie 1997; Savoie 1997; Beaumier 1998; Savoie 2006). Two regional development agencies were created – the Atlantic Canada Opportunities Agency (ACOA) and Western Economic Diversification (WD). As detailed in the next section, an economic development organization was also created for Northern Ontario (the Federal Economic Development Initiative in Northern Ontario – FedNor). In 1991, the Federal Office for Regional Development in Québec (FORD-Q) was also created (now known as the Canada Economic Development for Québec Regions or CED-Q).

As detailed elsewhere (see Hall 2012a; 2012b), the RDAs have different geographies, governance structures, and priorities based on their respective regions. For example, ACOA and WD are interprovincial RDAs made up of the Atlantic Provinces of New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador, and the Western provinces of British Columbia, Alberta, Saskatchewan, and Manitoba, respectively. Meanwhile, FedNor is an intra-provincial organization for the northern region of the province of Ontario. Perhaps the most notable difference between FedNor, ACOA, WD, and CED-Q is that the latter three were established as agencies. This means they have separate departments, acts of parliament (that establish them as separate entities as well as outline their mandates and powers), and Ministers while FedNor is an economic development organization within the federal department of Industry Canada. This institutional landscape for regional development remained relatively unchanged until 2009 when two new regional development agencies were created – CanNor for the Canadian Territories and FedDev Ontario for Southern Ontario.

A Brief Look at Northern Ontario

Northern Ontario is a region in the Province of Ontario with a long economic history tied to natural resource development. It is a symbolic and administrative region that lacks any formal political arrangements. Up until the early 1970s, the region largely experienced economic and demographic growth (see Bray 1984: 14-16). However, over the last several decades Northern Ontario has undergone considerable economic restructuring resulting in population decline and employment losses in the resource economy (Jankowski and Moazzami 1993; Moazzami 2009). More recently, new mineral finds and growth in mining coupled with a crisis in the forestry sector has created a highly variable pattern of booms and busts across the region. The population in 2011 was 775,178, which represents a slow decline from the 2006 population of 786,290 (Statistics Canada 2012f).

While the population might seem relatively small, it is worth noting that Northern Ontario is bigger than Canada’s three smallest provinces: Prince Edward Island, Newfoundland and Labrador, and New Brunswick. Over 55 percent of the population resides in the five largest urban centres: Greater Sudbury (160,770), Thunder Bay (121,596), Sault Ste. Marie (79,800), North Bay (64,043), and Timmins (43,165) (Statistics Canada 2012a-e). The remainder of the population is distributed among much smaller resource and First Nations communities. This is in stark contrast to the southern half of the province, which is home to one of the most demographically and economically diverse regions in Canada – the Greater Golden Horseshoe (Ontario MPIR 2006). This includes Toronto, Canada's largest city-region, with a population of over 5 million (Statistics Canada 2012g). Southern Ontario is also home to Canada's English-speaking media-hub, the centre of government for the province (Queen's Park in Toronto), and the centre of government for the country (Parliament Hill in Ottawa). These stark demographic and economic differences between Northern and Southern Ontario have prompted both the provincial and federal governments to intervene through a variety of regional development initiatives since the 1960s.

Regional Development Funding in Northern Ontario

As noted earlier, Northern Ontario provides a unique setting to understand the politics of regional development because of the region's long history of both federal and provincial regional development initiatives. In fact, up until recently it was the only sub-provincial region in Canada with a federal regional development organization - FedNor. The region also has access to the only Ontario provincial ministry with a regional mandate, the Ministry of Northern Development and Mines, and a regional development funding institution, the Northern Ontario Heritage Fund Corporation (NOHFC). To understand the paradox of regional development incentives in Northern Ontario, it is worthwhile discussing the history, programming and governance structure of both FedNor and NOHFC.

FedNor

In 1987, the Federal Economic Development Initiative for Northern Ontario (FedNor) was created as a special $55 million five-year initiative to assist with economic development in the region. Northern opposition members of parliament (MPs) had pressured the government for months to create a recovery package for Northern Ontario to offset the U.S Tariff on lumber and other economic challenges in the region (see Hall 2012a; 2012b for a detailed discussion of FedNor). The original focus of FedNor was to provide direct assistance (loans and non-repayable contributions) to small and medium sized businesses for the establishment of new facilities; modernization and expansions of existing facilities; research and development; and market development and feasibility studies. The early governance structure included a private sector Economic Development Advisory Board as well as staff and a Director General. All were tasked with deciding what projects received funding and providing advice to Cabinet on other federal policies and program (Canada FedNor 1989; Hall 2012a; 2012b).

In 1992, Industry Canada evaluated FedNor and the program was renewed for another five years (House of Commons 1992; Office of the Auditor General of Canada 1995). However, in 1995 an Auditor General report on regional economic development identified a number of challenges including: a lack of information on programs that have worked and programs that have not; a lack of cost-effective, risk based project assessment; long approval times; and the need for ongoing co-operation between the RDAs (Office of the Auditor General Canada 1995). This report, as well as an ambitious federal program review exercise to reduce the federal deficit, prompted a number of sweeping changes to regional development across the country (Savoie 2006). For Kroeger, the 1995 Budget marked the end of “fifty years of activist, interventionist, and above all, self-confident government” (1996: 21). It also reflected the growing influence of neoliberal policies and practices by the federal government.

As a result, regional development institutions across the country shifted their focus to providing loans and repayable contributions for businesses versus subsidizing the private sector through direct assistance (Canada Department of Finance 1995). The Community Futures Development Corporations or CFDCs were also transferred to the RDAs in 1995, which are not-for-profit community-based organizations administered by local volunteer boards. They provide access to capital, community economic development support, and business counseling. Their activities include program delivery, project funding, advocacy, communications, research, and strategic planning (Industry Canada 2009a). FedNor’s reengineering included the elimination of non-repayable direct contributions to businesses, which was replaced by a fully repayable, commercially based lending approach delivered by third parties (Industry Canada 2008a) and the elimination of the Advisory Board.

FedNor currently provides funding through the Northern Ontario Development Program (NODP), which is focused on three priorities: community economic development, business growth and competitiveness, and innovation. The NODP provides repayable and non-repayable contributions to not-for-profit organizations[1] and small and medium-sized enterprises. However, for-profit businesses are only eligible for direct assistance for human capital and innovation support (Industry Canada 2007).[2] Interested applicants are encouraged to meet with a FedNor Officer before starting the two-phase application process, which consists of an initial application and a detailed application. Businesses can also receive loans from the 24 CFDCs located across Northern Ontario. In terms of governance structure, FedNor is still the only regional development organization in Canada located within Industry Canada, while the other five RDAs remain stand-alone agencies (see Hall 2012a; 2012b for more detail). FedNor also has an elected official who acts as Minister of State and a number of staff located in offices throughout the region.

NOHFC

In 1985, the provincial government established the *Advisory Committee on Resource Dependent Communities* led by Dr. Bob Rosehart, then-President of Lakehead University. The forestry and mining sectors were particularly hard hit during the late 1970s and early 1980s by a variety of policy and economic shifts. In some communities the average unemployment rates were twice the provincial average and the population of the region had declined between 1981 and 1986 (Ontario Legislative Assembly 1986; White 1998). The Rosehart Report made 80 recommendations and recommendations for future study pertaining to: Northern Development Opportunities, Senior Government in the North, Community, and Community and Employment Adjustment. The Rosehart Report also recommended the establishment of a Northern Ontario Fund to counteract the traditional approach where little revenue generated from the natural resources industries had been reinvested in the North (Rosehart 1986).

[1] Not-for-profit organizations include Chambers of Commerce, telecommunications networks, and tourism organizations; municipalities and municipal organizations; post-secondary institutions, hospitals, and regional health care centres; Aboriginal organizations; Community Futures Organizations; and financial institutions (see Industry Canada 2008 for a comprehensive list).

[2] Businesses can also receive assistance through the Targeted Manufacturing Initiative (FedNor 2014).

The 1987 Speech from the Throne indicated that the provincial government would create a ‘Northern Ontario Heritage Fund’ (Ontario Legislative Assembly 1987) and pledged $30 million a year for 12 years in recognition of the need for long-term commitment in Northern Ontario. A board or corporation consisting of Northerners would administer the fund and it would have a separate account away from the province’s consolidated revenue fund. Unspent funds would be carried over for future use and the corporation could invest money that wasn’t needed in the short-term while interest earned would revert to the funds account (Ontario Legislative Assembly 1988a). There was also a clear discourse that this fund was ‘by Northerners for Northerners’ (Ontario Legislative Assembly 1988b).

The NOHFC programs originally provided a variety of loan guarantees, loans and grants to businesses and community organizations. Currently, NOHFC has five programs: the Strategic Economic Infrastructure Program, the Northern Community Capacity Building Program, the Northern Innovation Program, the Northern Business Opportunity Program and the Northern Ontario Internship Program. Assistance is provided through conditional contributions, forgivable performance loans, incentive term loans and loan guarantees (Ontario NOHFC 2013). The governance structure includes an 18-member appointed Board of Directors chaired by the Minister of Northern Development and Mines as well as a number of staff.

The Paradox of Regional Development Funding in Northern Ontario

The following sections are based on 55 key informant interviews from two related research projects in Northern Ontario, including: 1) a study looking at the politics of regional development in Northern Ontario that included 40 key informant interviews with elected officials and public servants from all three levels of government along with academics, and regional actors (Hall 2012); and 2) a study on innovation and creativity in in Northern Ontario that included fifteen key informants interviews with entrepreneurs and economic development organizations (Hall and Donald 2009). As the subsequent sections discuss, key informants highlight the importance of regional development incentives for “levelling the playing field”. However, they also get sprinkled around the region with no long-term investment plan, they have the potential to stifle critical discussion on government policies, and they're susceptible to political shifts and politics.

Levelling the Playing Field

In Northern Ontario, regional development funding institutions play an important role in contributing to the region's economic diversity and growth (Hall and Donald 2009; 2012; Hall 2012b). More specifically, NOHFC and FedNor provide guidance through staff who are located on-the-ground throughout the region as well as financial resources for business and community development. As one key informant noted: *"we don't have the track record, we're a start-up organization so I think where the Province has really fulfilled a really critical niche for us is they've given us some money to give us that opportunity"* (Hall and Donald 2009: 23-24). While another one key informant explained how private investors are sometimes biased against lending to Northern Ontario businesses:

> *Our founders were discussing equity financing with an institution in Toronto and that institution was interested in the corporate story until they realized the company was based in Thunder Bay. The comment from the institution's representative was 'I thought you said North Bay' .... implying that they don't finance anything further north than North Bay (*Hall and Donald 2009: 18).

As a result, key informants highlighted the importance of NOHFC and FedNor for levelling the playing field in terms of access to capital and for providing vital assistance that contributes to the overall economic development of Northern Ontario. Or as one key informant strongly emphasized: *"NOHFC is just a lifeline for Northern Ontario in general"*.

In fact, NOHFC and FedNor have provided assistance to many worthy initiatives and businesses in the region. For example, both FedNor and NOHFC provided financial support for the establishment of the Northern Ontario School of Medicine, to address a chronic physician shortage that had plagued the region since the 1980s. This is the first medical school to open its doors in Canada in 30 years and is only the second in North America during that same time period (Hall 2012b; Hall and Donald 2009; 2012). Other initiatives include investing in telecommunications to provide access to online education and healthcare (Industry Canada 2009b). Another key informant discussed the importance of regional development funding for community development. They noted how some smaller communities are struggling and "*hanging on by their fingernails, [they] can hardly afford the staff to manage day to day …operations of a municipality, never mind get into economic development you know?"* Thus, FedNor and NOHFC fill a critical gap by providing assistance to these communities.

Regional development funding also supports innovation-related activities and new business start-ups. For example, NOHFC recently provided support to a local microbrewery in Sudbury to purchase new equipment and expand their operations (Northern Life 2013). Both FedNor and NOHFC have supported NORCAT, a private not-for-profit company that supports and promotes entrepreneurship, innovation, and commercialization (NORCAT 2014) as well as a number of mining supply and services companies who are engaged in innovative solutions for the mining industry as well as creating or adapting products using new technologies (Hall and Donald 2009). As noted earlier, regional development funding programs have the potential to support employment opportunities, economic diversity, and community capacity building as well as provide access to capital for SMEs. In Northern Ontario, this has certainly been the case. At the very least, NOHFC and FedNor provide employment opportunities both through their investments in regional development and businesses but also through the institutions themselves. Despite these significant contributions, there are a number of issues with this approach to regional development, which are discussed in the following section.

Piñatas, Pacifiers and Politics

In 2007, the President of a regional media organization, Michael Atkins, along with two economists, David Robinson (Laurentian University) and Livo Di Matteo (Lakehead University), wrote a series of articles called "Rethinking Northern Ontario." They identify "piñata politics" as a significant issue confronting regional development in Northern Ontario. The piñatas are FedNor and NOHFC while the symbolism reflects funding that gets sprinkled around the region with little rhyme or reason. As one key informant agreed: "*The regional development initiatives such as FedNor or Heritage Fund…fritter their money away."* They continued: "*So to me it's all politically motivated. No rhyme or reason. They do have guidelines but they do not follow them at all*."

This piñata politics is particularly an issue because there is no real long-term plan or strategy to guide investment in the region. As Di Matteo et al. (2007) explain, this is a problem because communities and businesses are usually thinking about what FedNor or NOHFC will think of an economic development initiative versus how this initiative will contribute to an overall plan for the region. For this trio, this "reshapes thinking, slows progress, transfers responsibility and creates a culture of dependency" (Di Matteo et al. 2007: 27). As one key informant explained: "*…neither of those agencies has, either individually or collectively, an economic strategy for Northern Ontario…their grant agencies, that's it*." While another key informant admitted:

> *the province is nowhere and I'm not saying this in a partisan political way because we didn't do it either when we were in government, I'm not passing the buck. But no government has really developed a strategic plan for the North. How do we do this? How do we cope and facilitate and be really serious if we want to continue to allocate money to projects all over the place.*

In 2007, the provincial government did embarked on a regional development strategy known as the *Growth Plan for Northern Ontario*. It was the first time in over 30 years that the provincial government was leading a comprehensive look at regional development issues in Northern Ontario.

However, the final report, released in 2011, is filled with generic statements and very few specific strategies to achieve them. In fact, after five-years of planning only three 'next steps' were identified with no new financial commitments (Ontario MOI and MNDMF 2011a; 2011b). Northern media called it 'a plan for a plan' (MacLeod 2011) which was echoed by some key informants who explained: "***the plan consists of lots of statements** we will develop a plan, okay? **The statement, my plan is to develop a plan is logically equivalent to I don't have a plan***!" Ontario was particularly hard hit by the global financial downtown and subsequent recession. This precarious economic situation combined with a shifting political landscape reduced many of the financial and political commitments needed for any regional strategy to succeed in Northern Ontario.

Another major concern is pacifier politics. Some key informants attributed the lack of critical discussion on government policies to this grants-based approach to regional development. They explained: *"[They're] quite brilliant. They have their finger everywhere.* ***Somebody is always got an application in so how dare they actually speak their minds"***. In other words, regional actors tend not to speak out about state policies when they have become so dependent on grants for economic development. As noted, regional development funding is often discretionary (Milligan and Smart 2005) and this can lead to fear that their access to funding might be impacted. This is a significant issue because it can limit critical discussion on government policies. More importantly, fear and silence counteracts the trust and collaboration often cited as important contributors to regional economic development (Wolfe 2009; Gibson 2011; Morgan 2004; Amin 1999; Cooke and Morgan 1998; Morgan 1997).

Regional development funding can also pose challenges for intraregional collaboration. As one key informant explained, in Northern Ontario there has historically been little cooperation between communities because of their dependence on external private and public resources. They noted:

> *…as these communities became established* ***they perceived each other and in fact were rivals…So that the history of Northern Ontario has shown very little evidence of cooperation on any sort of regional level*** [they continued] *I think it's because…each of these communities…****has ultimately been dependent on external forces****…whether they be private or public and certainly like public in terms of government…and* ***that…creates a rivalry you know…there are public resources that are accessible but they're not unlimited and they have to be allocated****… (KI-05).*

As Markey et al. (2009) note, this lack of intraregional collaboration is common in resource economy based regions where individual resource communities developed strong linkages to the provincial metropolitan core versus connections between resource communities. One local elected official even admitted that they keep track of who gets what and where: "*I get… statistics from my staff…we track where every dollar goes from every program*." While another discussed being exploited politically:

> *…and I'm not naïve about that and I think it's a real problem where…political parties are only too willing to exploit those decisions for their own advertisement and…gathering of seats.*

This issue is perhaps intensified by the piñata politics where funds are sprinkled around versus being connected to a longer-term regional strategy.

Key informants also discussed the impacts of politics. For example, one key informant discussed how they feel the government is always looking for the next photo-op on so-called "short-term and shovel ready" projects:

> *What we've got now is a system that's fairly politicized**. Invite the Minister and the Premier to stand on the side of the highway with a golden shovel get a photo-op say how great I've been to your riding so that you can vote my guy back in next time.***

Another key informant agreed:

> ***They just fund and have photo-ops when they fund something**…* [They continued] *It's all 'tap you on the head', that's how it is. '**Here have a couple of dollars, have a lollypop and go away. Next. Who's next? Who do I get a picture with next**?' It's really depressing.*

While another key informant argued that they're:

> ***All politically motivated**. Absolutely, unquestionably politically motivated […] You can see this week their catering to the Aboriginals, this week it's something else, **this week they stuck their foot in it in Sudbury and gapped on something ridiculous so now Sudbury gets a whole bunch of money**. It's always politically motivated**. There's no rhyme or reason to any of the funds…you know poor Timmins is a great example. They have nobody who is on the side of the government, both federally or provincially. They get so little it's…depressing to look at**.*

However, it is worth stating that political motivations are highly variable and subject to change depending on the Minister, timing (e.g. proximity to an election), and other political or economic challenges.

Related to this, both the NOHFC and FedNor budgets are determined and controlled by the state. For example, how much money is allocated to these institutions and whether they even continue is contingent on the party in power. Their funding priorities are also subject to change with newly elected governments. Sometimes these changes are incremental and other times these changes are quite dramatic. For example, during the late 1990s a conservative government was elected in Ontario on a political platform known as the "Common Sense Revolution". This included greater reliance on the private sector and radical reforms to the role of government intervention (see White 2002 for more detail). In Northern Ontario, the government eliminated all NOHFC contributions to businesses and instead focused funding on highways and tourism. Government officials argued: "good highways literally pave the way for economic development" (Ontario MNDM 1999). However, focusing on highways also provides a highly visible political strategy showcasing government investment through quite literally shovel-ready projects. This shift also reflected more neoliberal thinking by eliminating direct subsidies to businesses.

The rethinking trio also note how funding priorities between the federal and provincial governments are not always in sync (Di Matteo et al. 2007). A great example of this is the Centre for Excellence in Mining Innovation (CEMI), a not-for-profit organization, at Laurentian University in Sudbury. The idea behind CEMI was to build on the city's strength in mining and position it as a centre for international mining research. However, while CEMI was trying to secure funding from both FedNor and NOHFC a bitter partisan battle ensued between the federal Conservatives and the provincial Liberals. It all culminated when a Sudbury Liberal elected official reportedly called the Conservative Minister of FedNor "tight-fisted" and the "Minister of Fed**Not**" for delays in funding the Centre (Desrosiers 2008). A short time later, a press secretary for the Minister of FedNor released a statement saying that the project did not fit ‘current funding priorities’. (St. Pierre 2008: online).

The following year, the federal Conservative government approved funding for the Innovation Centre for the Canadian Mining Industry at the University of Toronto. As one *Sudbury Star* editorial explained, “the similarity in names is no coincidence – they are both research centres vying for government support and private investment. The difference, of course, is that one is located where mines are and one isn’t” (MacLeod 2009). In response to criticism, the Minister issued a letter explaining that the University of Toronto centre had applied and received funding through the Knowledge Infrastructure Program (KIP) while CEMI had not applied for funding under this program. He called the comparison a ‘petty spin’ (Clement 2009).

In a pointed editorial, Atkins described the decision to not fund CEMI as the ‘high cost of split jurisdictions’. He argued that the decision resulted from “the war between the province and the federal government and likened it to the battle “between the Hatfields and the McCoys” (Atkins 2008: online). One key informant, reflecting on the situation, explained:

> *some of that politics it’s not nice but…it happens…and it’s unfortunate because my understanding from people who were very close to it was all the ducks…everything was lined up. It was yes, yes, yes all along the way and then bang somewhere around the Minister something happened.*

As this key informant alluded, the Sudbury FedNor office had reportedly been a strong supporter of CEMI (Atkins 2008; St. Pierre 2008). Establishing a mining technology research centre and cluster was identified as a key recommendation in the 2002 FedNor Northern Ontario citizen engagement forum. FedNor had further invested in a research initiative focussed on understanding and developing the mining supply and services cluster in Sudbury.[3] It is worth noting that CEMI eventually received funding from the

[3] This project was part of a national five-year SSHRC funded research initiative looking at the role of local and regional clusters in Canada led by David Wolfe and Meric Gertler from the University of Toronto. Dr. David Robinson from the Economics Department at Laurentian University was the lead researcher on the Sudbury study (see Robinson 2005).

federal government, however this example highlights how – real or perceived – federal and provincial politics have the potential to interfere in regional development initiatives.

Finally, regional actors in Northern Ontario have long advocated for more control over decision-making and a fair share of the resource wealth that is extracted from the region (Sudbury and District Chamber of Commerce 1977; Rosehart 1986; NOLUM 2003; 2005; 2007; 2013). The original proposal for the provincial "Northern Ontario Fund" included a recommendation for "an additional commitment financed through a percentage of provincial revenues from resource industry taxation" (Rosehart 1986: 25). However, neither fund is directly connected to the resource wealth of the regional economy. They also do little to encourage more control over decision-making aside from appointed regional actors and staff who oversee applications. As Atkins (2006: online) wrote in one editorial: "We are starved. We have no serious stake in the wealth of our resources. When things are good, the profits go elsewhere, and when they are bad, we are all laid off."

Implications for Regional Development

This article has explored an apparent paradox of regional development incentives in Northern Ontario. While this research has focused on a case study in the Canadian context, it offers important insights to the rich international debates on the governance, politics and practice of regional development. Adopting a politics of regional development lens, this research exposed how regional development becomes a messy and complex process where solutions to regional economic challenges are also deeply political. This paradox has several implications, especially when incentives are the only approach used for regional development. First, as Amin (1999: 371) and others contend a major issue in many less-favoured regions are policies that are focused on "low-grade" initiatives and "disembodied ventures" that lack connectivity. The piñata approach where money is sprinkled around a region with little connection to an overall plan or strategy does little to solve this issue. Also a concern is the argument that regional development incentives are used to serve political purposes like government "photo-ops." There is a fine line between highlighting how and where taxpayer money is invested and partisan politics showcasing Minister’s with cheques. Real or perceived, this approach creates a feeling that regional development funding is disingenuous and less about actually improving economic issues and more about showcasing that the government is doing “something.”

The pacifier politics are perhaps one of the more serious implications. Regional development approaches need to include constructive criticism, monitoring and evaluation of past initiatives, positive approaches for current issues, and realistic and long-term strategies for the future. None of this can be achieved if constructive dialogue is stifled due to fear of retribution. In fact, the social and economic challenges in Northern Ontario (and many other peripheral regions) demand a concerted multi-level, collaborative approach between the various levels of government, business and industry, post-secondary institutions and community organizations. These challenges include a number of First Nations communities without year round road access, deplorable housing conditions, high unemployment rates, high rates of youth suicides, and substance abuse issues (Coates and and Poelzer 2012; Freeman 2013; Porter 2013). Other Northern Ontario communities are confronted with similar issues including inadequate infrastructure, high unemployment rates, and population decline.

Another implication of this approach is the impression that these funding institutions are “run by the region for the region” when in reality they have little power to actually make policy decisions (Hall 2012a; Hall 2014). Appointing regional actors to boards, locating offices in the region, and hiring regional staff are all better than the alternative and better than nothing. However, the degree to which regional actors actually have the power to make decisions and set priorities is highly questionable. Also problematic, unelected appointed individuals are accountable to the government versus the region. This has the potential to actually create a ‘democratic deficit’, whereby unelected individuals make decisions about regional needs and priorities (see Markey et al. 2007; Jones 2001).

While this paper has highlighted the many challenges associated with an incentives-based approach to regional development, the solution is not to eliminate this funding. As noted, this assistance is crucial to community capacity building in rural and remote communities where many municipalities struggle to manage day-to-day operations. In addition, these regional development incentives do fund many worthwhile initiatives and confront spatial biases when it comes to access to capital. As suggested earlier, politics are highly variable and subject to change depending on elected officials, political parties, timing (e.g. proximity to an election), place, and other political or economic challenges. But what are the alternatives?

As Collits (2012) argues, regional development spending decisions need to be radically de-politicized. This can be accomplished in a number of ways. First, elected boards or regionally appointed boards made up of representatives from municipalities, business and other community organizations versus government appointed boards might assist in minimizing politics. A number of key informants also expressed a desire to link regional development funding to resource revenues in an effort to increase transparency and decrease dependency on government grants. Finally, a long-term regional strategy with clear objectives and funding priorities along with built in mechanisms for monitoring and evaluation would also combat some of these issues. At the very least, a new constructive conversation on regional development in Northern Ontario (and regions like it) is desperately needed.

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